

June 26, 2024

SolarCraft Power India 2 Private Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund-based – Term loan	476.00	[ICRA]A- (Stable); assigned
Total	476.00	

*Instrument details are provided in Annexure-I

Rationale

The assigned rating factors in the high revenue visibility and low offtake risk for the 120-MWAC solar power project of SolarCraft Power India 2 Pvt Ltd (SolarCraft) because of the long-term (25 years) power purchase agreement (PPA) signed with Gujarat Urja Vikas Nigam Ltd (GUVNL; rated [ICRA] AA-/Stable/[ICRA]A1+) for the entire capacity at a fixed tariff of Rs. 2.49 per unit. The rating draws comfort from the presence of a strong counterparty like GUVNL and the payment security mechanism under the PPA, with a provision for letter of credit equal to average one-month billing. Further, the additional provisions in the PPA related to compensation in case of grid curtailment or backdown and the termination liability provide comfort. These factors, along with the superior tariff competitiveness of the project, mitigate the counterparty credit risk for the company.

The rating further derives comfort from the presence of an experienced sponsor in the form of Blupine Energy Pvt Ltd (BEPL), which is held by Actis PE (Actis) through its Actis Energy-5 fund. Actis is a UK-based private equity firm with a total investment fund of \$25 billion raised since incorporation. It specialises in longer tenure investments in developing/emerging economies across diverse sectors in the real estate, infrastructure, energy and digital infrastructure space. In India, it has efficiently managed renewable energy (RE) investment platforms like Ostro and Sprng in the past.

SolarCraft's debt coverage metrics are expected to be adequate with the cumulative debt service coverage ratio (DSCR) estimated at 1.25x over the debt tenure, supported by the long-term PPA, the long tenure of the debt and competitive interest rates. Also, the liquidity profile of the company, post commissioning, is expected to be supported by the presence of a two-quarter debt service reserve with one quarter being funded upfront and the expectation of timely payments from the customer.

However, the project remains exposed to stabilisation risks as it is in the early stage of its operational lifecycle. The project is expected to achieve commissioning in June 2024. The company's revenues and cash flows would remain sensitive to the variation in weather conditions and seasonality because of the single-part fixed tariff under the PPA. Therefore, timely stabilisation and demonstration of generation performance in line with the P-90 estimate remains important from a credit perspective.

Further, the project credit metrics would remain exposed to the movement in interest rates, given the fixed tariff under the PPA, the floating interest rate and a leveraged capital structure with the project cost being funded through a mix of debt and equity. Also, the company remains exposed to the regulatory challenges of implementing the scheduling and forecasting framework for the solar power sector.

The Stable outlook assigned to the long-term rating of the company is supported by the long-term PPA in place for the entire capacity providing revenue visibility and a strong counterparty, i.e., GUVNL.

Key rating drivers and their description

Credit strengths

Experienced sponsor with a demonstrated track record in developing and operating renewable assets – SolarCraft is ultimately held by Actis PE (Actis), which has committed to an investment of \$800 million in India for the development of around 4 GW of renewable power projects through its energy fund (Actis Energy-5). AE-5 has formed an entity in India, named Blupine Energy Pvt Ltd (BEPL), to take up this investment plan. Actis is a UK-based private equity firm with a total investment fund of \$25 billion raised since incorporation. It specialises in longer tenure investments in developing/emerging economies, including India, China, Africa and Southeast Asia. The investments by Actis are spread across diverse sectors, such as real estate, long life infrastructure, energy infrastructure, digital infrastructure, etc. In India, it has efficiently managed RE investment platforms like Ostro (1.1 GW) and Sprng (2.4 GW) in the past. At present, BEPL has an operational capacity of more than 724 MWAC and under-development capacity of more than 2.2 GW, which is expected to be commissioned by FY2026/FY2027.

Revenue visibility with presence of long term PPA with GUVNL at competitive tariff rate – SolarCraft has signed a long-term (25 years) power purchase agreement (PPA) with Gujarat Urja Vikas Nigam Ltd (GUVNL; rated [ICRA] AA-/Stable/[ICRA]A1+) for the entire capacity at a fixed tariff of Rs. 2.49 per unit providing high revenue visibility and low offtake risk for the 120-MWAC solar power project. The tariff offered by the project remains highly competitive in relation to the average power purchase cost of GUVNL.

Low counterparty risk – The rating draws comfort from the presence of a strong counterparty like GUVNL and the payment security mechanism under the PPA, with a provision for letter of credit equal to average one-month billing. Further, the additional provisions in the PPA related to compensation in case of grid curtailment or backdown and the termination liability provide comfort. These factors, along with the superior tariff competitiveness of the project, mitigate the counterparty credit risk for the company.

Adequate debt coverage metrics and liquidity profile – SolarCraft's debt coverage metrics are expected to be adequate with the cumulative DSCR estimated at 1.25x over the debt tenure, supported by the availability of long-term PPA, the long tenure of the debt and competitive interest rates. The liquidity profile of the company is expected to be supported by the presence of a two-quarter debt service reserve over the tenure of the term loan. Additionally, BEPL is expected to extent funding support in case of any cash flow mismatch.

Credit challenges

Stabilisation risks associated with the early stages of the commercial operations – The project remains exposed to stabilisation risks as it is in the early stage of its operational lifecycle. The project is expected to achieve commissioning by June 2024. A timely stabilisation and demonstration of generation performance in line with the P-90 estimate remains important from a credit perspective.

Debt metrics of solar projects sensitive to PLF levels – The company's revenues and cash flows would remain sensitive to the variation in weather conditions and seasonality because of the single-part fixed tariff under the PPA. Any adverse variation in weather conditions and/or module performance may impact the power generation and consequently the cash flows. The geographic concentration of the asset amplifies the generation risk. Therefore, the ability of the project to achieve the design P-90 PLF on a sustained basis remains crucial.

Exposed to interest rate risks – The interest rate on the term loan availed by the company for its project is floating and subject to regular resets. The fixed tariff under the PPA and a leveraged capital structure expose SolarCraft's debt coverage metrics to the movement in interest rates.

Regulatory risks – The company’s operations are exposed to regulatory risks pertaining to the scheduling and forecasting requirements of solar power projects. However, the risk of variation is relatively low for solar power projects compared to wind power projects.

Liquidity position: Adequate

The liquidity position of SolarCraft is supported by the infusion of equity/promoter contribution and the debt tie-up for the project. The entire promoter contribution had been infused in the company as on April 30, 2024. Also, the company has drawn 90% of the sanctioned term debt, with the balance 10% available to meet the pending capital cost. Moreover, the company does not have any debt repayment obligation in FY2025 and is expected to generate adequate cash flow from operations against an annual debt repayment obligation of Rs. 17.3 crore in FY2026.

Rating sensitivities

Positive factors – Demonstration of generation performance in line with or above the P-90 level, along with timely payments from the offtaker leading to comfortable debt coverage metrics could lead to a rating upgrade for Solarcraft. Further, ICRA could upgrade Solarcraft’s rating if the credit profile of the parent improves.

Negative factors - The rating can be downgraded in case of the generation performance of the company remains below the P-90 level, adversely impacting the debt coverage metrics. A specific credit metric for downgrade is the cumulative DSCR falling below 1.15 times on a sustained basis. Further, any large delays in realising payments from the offtaker, adversely impacting the liquidity profile of the company, will be a negative factor. The rating could also be revised downwards if the credit profile of the parent weakens.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Power - Solar
Parent/Group support	The rating is based on the implicit support from the parent company, Blupine Energy Private Limited
Consolidation/Standalone	The rating is based on the standalone financials of the company

About the company

SolarCraft Power India 2 Pvt Lrd, incorporated in 2021, is a special purpose vehicle (SPV) promoted by Blupine Energy Private Limited (BEPL). BEPL is the renewable energy platform promoted and wholly owned by Actis Energy-5 fund, which is a part of the UK-based Actis Private Equity Fund. The SPV is developing a 120-MWAC solar power project split between Nenava (50 MWAC) and Radhanpur (70 MWAC) in Gujarat and has signed a 25-year PPA with GUVNL for power offtake.

Key financial indicators (audited) Not applicable as the company is in project stage

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2024 (Rs. crore)	Date & rating in FY2025 Jun 26, 2024	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
1 Term loan	Long term	476.00	92.74	[ICRA]A- (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund-based- Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	FY24	NA	FY45	476.00	[ICRA]A- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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